

CLASS 9 SIMPLIFIED AND EXPANDED

Changes to Encourage More Affordable Multifamily Units

CIC learned on October 15 that Cook County Assessor **Jim Houlihan** will modify the eligibility requirements for the Class 9 Property Tax Incentive so that more properties would be entitled to take advantage of the valuable incentive. CIC

Construction Risk Manager **John Kane** was part of the Assessor's task force which provided input and feedback for the proposed changes.

Class 9 is designed to encourage the rehabilitation or new construction of multifamily rental units in order to provide affordable housing for low and moderate-income individuals. Significant tax savings resulted from a reduction in the [standard] Class 3 multifamily assessment level over the past two years. The level was reduced from 33% in 2002 to 30% in 2003, and reduced to 26% in 2004 (and thereafter). Class 9-eligible multifamily properties receive a further reduction to 16% for a term of ten years with the option to renew for additional ten-year terms.

"I am very concerned about the dwindling supply of affordable housing property in Cook County and have made both a personal and professional commitment to increase the number of units available for low and moderate income renters," Assessor Houlihan said.

Major changes for Class 9 eligibility include:

- Modifying the number of designated building systems that must be renovated to receive the incentive. **The revised requirements state that two designated building systems must be renovated** in order to qualify for the incentive and no longer requires the substantial rehabilitation of three major building systems.
- **Allowing building owners to choose from additional building systems** when deciding what to rehabilitate in order to satisfy the primary eligibility criteria for the incentive. Owners previously had a choice of eight building systems when deciding what to rehab and now have ten.

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James M. Houlihan, Assessor of Cook County

CLASS 9 RENT AND TENANT INCOME SCHEDULE, Effective March 2004

2004 rents are not increased from 2003. They do not include electricity and gas for cooking, but do include heat.

Number of Bedrooms	=	Allowable Monthly Rent
SRO		\$545
0		\$726
1		\$778
2		\$933
3		\$1,078
4		\$1,203

INCOME LIMITS

Income limits are defined as "low-income" by HUD, at 80% of the PMSA median income

No. in Household	Class 9 Income Limit
1	\$38,100
2	43,500
3	48,950
4	60,320
5	65,146
6	69,971

Class 9 Simplified & Expanded

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“I am pleased that these changes will make the Class 9 incentive more flexible and maximize the amount of buildings that qualify for the program.”

—Assessor Jim Houlihan

- **Adding two new systems** which could be used to qualify for the incentive:
 - a) Health and Safety which includes the following items: fire suppression and security systems, environmental remediation of lead, asbestos, leaking underground storage tanks or radon and green improvements for energy conservation; and b) Code Compliance, which allows up to \$2.00 per square foot of the required minimum investment to be used in the cost of rehab or repairs as required by documented building code violations
- The **total expenditure per square foot** of gross living area will rise from \$5/square foot in 2004 to \$6/sf in 2005, \$7/sf in 2006, and \$8/sf in 2007.

- **Adding flexibility** by reducing the number of items that must be rehabbed within each building system.

“My office has worked to encourage the development and rehabilitation of affordable housing units in a rapidly decreasing rental supply climate,” Houlihan said. “I am pleased that these changes will make the Class 9 incentive more flexible and maximize the amount of buildings that qualify for the program.”

More details were expected to follow as the CIC newsletter went to press. For information contact a CIC loan officer, or call Maria Caby at the Cook County Assessor’s Office, (312) 603-3040.

CIC BORROWERS ARE GOOD NEIGHBORS

The Chicago Association of Realtors annually presents “Good Neighbor Awards” to Chicago-area property owners or developers whose recent work on buildings has made a positive impact on their neighborhood. This year all eight nominated buildings owned by CIC borrowers made the cut, with six winning the award and the other two receiving honorable mention. Here are the eight CIC winners for 2004:

- Jorge & Juana Torres / Forever Construction, Inc. / 927 Grand Avenue (**Waukegan**)
- Jeffrey Coleman & William Heath Ballard / KSJ Properties, LLC / 7953 S. Ashland (**Auburn-Gresham**)
- Theodor and Estera Luca / MLG Construction / 917 N. Mayfield (**Austin**)
- Wafeek Aiyash & John Bozonelos / W.J. Management / 518 S. Laramie (**Austin**)

- Jacob Bomberg / Bachelor Properties, LLC / 1134 W. Wilson (**Uptown**)
- LeRoy & Lula Richardson / 2638 W. Jackson (**East Garfield Park**)
- Frederick Anthony, Vernon Mitchell Jr., Joan Sullivan, Erik B. Johnson and Tina Marie Dudley / U.A.O., Incorporated / 509-511 W. 59th Street (**Englewood**)
- Andre Howard / Simply Focused Management / 6200 S. Rockwell (**Chicago Lawn**)

Theodor and Estera Luca

MLG Construction 917 N. Mayfield (Austin)

Theodor Luca and his wife, Estera Luca, purchased this vacant 16-unit property in May of 2003. This property is located in the Austin community and has a history of being “troubled.” In addition to financing for acquiring the building, CIC financed a gut rehab which included new electrical, plumbing heating and windows along with

917 N. Mayfield



new kitchens and baths. Due to a low appraisal because of few comparable sales of rehabbed buildings in the area, their strong debt coverage enabled the Lucas to receive a CIC Flex loan at 105% of the appraised value. Mr. and Mrs. Luca then sold the building to one of their subcontractors to get him started in the ownership of Chicago multifamily property. The once-vacant property is now fully rented and provides affordable housing for community residents.

Wafeek Aiyash & John Bozonelos

W.J. Management 518 S. Laramie (Austin)

This semi-vacant mixed-use property was purchased by W. J. Management Inc. in April of 2002. It was fire damaged and had sat vacant for over 12 years. This



518 S. Laramie

corner property is the gateway to the Austin community as cars exit the Eisenhower expressway at Laramie. W. J. Management's owners (Wafeek "Wally" Aiyash and John Bozonelos) have a vital stake in the community and own several

of the adjacent multifamily buildings directly north of this property. They have done an excellent job of restoring these once gang-infested and dilapidated units to good affordable housing. Seeing a chance to obtain the property and put it back into good working order they moved quickly to make a cash purchase and then approached CIC with a request for rehabilitation funding. The finished product is a gut rehab of

the residential units with all new kitchens and baths along with new drywall, plumbing, electrical and individual forced-air heating units. The commercial units were reworked for both existing and new tenants with new glass facades and canvas awnings. The end result is a new face for the Austin community at one of its most visible points.

2638 W. Jackson



LeRoy & Lula Richardson

2638 W. Jackson (East Garfield)

This property was purchased by Leroy and Lula Richardson in 1983 as a 24-unit apartment building. Living in and owning property in this area, they sought to improve this building but found time and economics were against them. The mechanical and other systems in this property were well beyond their intended life when in 2001 they approached CIC and the Illinois Housing Development Authority (IHDA) to provide funding to completely rehab these units while keeping them as affordable housing. The combination of the CIC and IHDA financing allowed a complete gut rehabilitation of the property that included new mechanical systems along with new walls, kitchens, baths and complete restoration of the building exterior. The 24 small units were consolidated into 14 beautiful family apartments.

METROPOLIS 2020 HIGHLIGHTS REGIONAL HOUSING NEEDS

To provide a market context for the future, Chicago Metropolitan 2020 Executive Director Frank Beal outlined regional housing needs in the years ahead at the CIC Board retreat.

His presentation provided the following highlights:

- By 2030, the Chicago region will have 1.9 million more people (and 720,000 new households) than

today, mostly from a net increase in births over deaths. More affordable housing needs to be created or preserved.

- The future population will be significantly older and diverse, which will have a dramatic effect on housing demand compared with the past.
- In 2030, the regional hispanic population will double its representation to 33%, while the white population will decline from 63% to 49%; the proportion of African Americans will remain about the same, at 18%.
- Transportation planning [work commuting, etc.] will need to receive center stage if we are to avoid continued sprawl and gridlock. The cost of transportation must be added to the cost of housing itself when computing affordability.
- Lack of housing choice related to lot size, building codes, and discrimination patterns also affect affordability, congestion and sprawl.
- 730,000 families (25% of the regional total) spend more than 30% of their income on housing [30% is the usual income threshold to call housing “affordable”].
- Some lower rent suburbs are projected to further decline by 2030 without intervention.
- The housing/jobs mismatch grows as housing costs increase in blue-collar areas.

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STATISTICAL SNAPSHOT: Status of Troubled Buildings Initiative as of Sept. 1, 2004

Status	Number of Buildings	Number of Units
Rehab Complete	11	346
Rehab in Process	44	881
Under Receivership	9	174
In Court/ Need Case	88	1320
Demolished	3	35
TOTAL	155	2756

The Troubled Buildings Initiative (TBI) has completed its first full year and is making a huge impact on many South and West Side neighborhoods in close cooperation with Housing Court and the City departments of Housing, Buildings, Law, and Police (CAPS). Totaling the fully rehabbed (346 units), rehab in process (881) and buildings under receivership (174), TBI has brought 64 of the city’s toughest buildings with 1401 units under control/repair. Another 88 buildings are in the Code/Court process.

The biggest impact of the first full year has been to make the City’s code enforcement/Housing Court process work more effectively. CIC staff inspect buildings the day before they are to appear in court; take photos; and are prepared to testify in coordination with the City inspectors assigned to the case. A noncompliant owner can no longer easily lie about building conditions. CII, a CIC subsidiary, then is prepared to find a court-appointed receiver to make repairs, if necessary. Owners therefore become motivated to sell their properties to someone who will fix them up, or to do repairs themselves.

In the coming year, greater emphasis will be placed on getting information about troubled buildings likely to be for sale to known good owners in affected neighborhoods.

HOUSING TASK FORCE REPORT ON PRESERVATION

*82% of affordable
units in Cook
County are
unsubsidized.*

The following is an excerpt from the introduction of the 32-member Preservation and Rehabilitation Working Group report to the Illinois Housing Task Force appointed by Illinois Governor Rod Blagojevich. CIC President **John Pritscher** helped to write the report.

There is need to significantly increase affordable housing preservation/rehabilitation activity utilizing present available governmental and private sector funds.
Some facts:

- Population projections indicate that 1 to 1.2 million people will move into the Chicago-land region by 2020. If these projections are correct, **between 160,000 and 200,000 additional affordable housing units will be needed** to meet the demands of moderate-income working families (*Chicago Metropolis 2020*).
- There is a single-family foreclosure crisis (due to predatory lending). **Foreclosures initiated in the city of Chicago doubled from 1993 to 2002** with a total of 9,427 in 2002 due to predatory lending impact. Deteriorating and boarded housing fosters neighborhood deterioration, but rehab fosters neighborhood revitalization.

- The study, “**Existing affordable multifamily housing in Cook County**” notes that there are 61,009 affordable properties with 441,714 units in Cook county of which 1,109 are subsidized affordable properties with 81,014 units, and 60,000 unsubsidized affordable properties with 360,700 units (**82% of affordable units are unsubsidized**).
- **There are over 100,000 substandard, unsubsidized rental housing units** in the Chicago region in need of “substantial renovation” to meet HUD minimal Section 8 voucher standards:
 - 67,000 are in the city and low-rent South and West Side neighborhoods.
 - 33,000 are in lower-rent suburbs, some of which are experiencing notable problems of aging and decline.
- Unnecessary demolition continues to be a problem. Census figures indicate that **eight South and West Side community areas lost an average of 21% of their rental units in the 1990s**.
- According to the National Housing Trust, **since 1996 Illinois has lost 1807** units of affordable rental housing due to opt-outs under the **project-based Section 8** program in 33 properties. **In addition, 2269 units of HUD subsidized housing** with below market rate mortgages have been lost due to mortgage prepayment and termination of affordability restrictions at 17 properties since 1996.

A comment on the obvious: We could never afford to replace these subsidized and unsubsidized low-rent housing units at today’s costs. The state needs increased emphasis on rehabilitation/preservation to achieve maximum bang from limited subsidy dollars and **most will need to come from private lending and the owner’s cash equity funds.**

CIC President **John Pritscher** (at right) is shown receiving the “*Capital Friend of Communities*” award October 4 from LaSalle Bank Corporation Senior Vice President and CRA Officer **Gary Washington**, who also is Vice-Chair of the CIC Board. The award was given by the Center for Community Lending, a national organization affiliated with the National Association of Affordable Housing Lenders. Illinois Congressman **Rahm Emanuel** (D-5th District) also received an award from the group at the event.





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CHAC gives CIC Award



CHAC, Inc., administers the Housing Choice Voucher Program (formerly Section 8) in the city of Chicago. Every year CHAC hosts several sessions of the CIC Property Management Training directed by CIC Director of Capacity Building Larry McCarthy, and provides staff for the training segment on Housing Choice Vouchers.

In May CHAC presented CIC with its 2004 Community Partner Award. Accepting the award for CIC are (above, from left) **Larry McCarthy**, CIC President **John Pritscher**, CHAC Deputy Director **Jennifer O'Neill**, and Director of Marketing & Communications **Martin Berg**.

CHAC Section 8 Rent Survey

CHAC Inc. has completed a citywide rent survey to improve the match between what the Housing Choice Voucher (former Section 8) program is paying for rents compared to unsubsidized market rents in city neighborhoods. This process determining “rent reasonableness” will often result in lower approved rents based on the comparable actual rents in the community. Many CIC developers have effectively used this program to attract good tenants and maintain stable tenancy.

See the CHAC website at www.chacinc.com/news.asp.



5.25% for 3-year ARM*
5.75% for 5-year ARM*

Both adjustable-rate loans typically have a 20-year term, with 25-year amortization. Rate adjustments are capped and there is no prepayment penalty.

For more specific information on CIC products and current rates, call Community Investment Corporation at **(312) 258-0070**.

*As of October 28, 2004